

Message Text

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ACTION NEA-10

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FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 8353
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LIMITED OFFICIAL USE ALGIERS 1158

E. O. 11652: N/A
TAGS: ECON, EINV, PFOR, AG
SUBJ: GOA NATIONALIZES ADDITIONAL FRENCH FIRMS

REF: ALGIERS 0921

1. BY DECREE DATED 25 MARCH 1978, GOA HAS NATIONALIZED EIGHT ADDITIONAL FRENCH FIRMS, TWO OF WHICH OWNED BY WHOLLY-OWNED SUBSIDIARIES OF U.S. FIRMS.

2. OF THE NATIONALIZED FIRMS, FOUR ARE TEXTILE PRODUCERS, AND THEIR ASSETS HAVE BEEN TRANSFERRED TO THE STATE TEXTILES CORPORATION, SONITEX. TWO OTHERS ARE SHOE MANUFACTURERS WHOSE ASSETS HAVE BEEN TRANSFERRED TO THE STATE LEATHER GOODS CORPORATION, SONIPEC.

3. OF THE TWO REMAINING, BOTH OF WHICH ARE U.S.-OWNED, THE FIRST IS COLGATE-PALMOLIVE, WHOSE ASSETS HAVE BEEN TRANSFERRED TO THE STATE CHEMICALS CORPORATION SNIC. AS THE DEPARTMENT IS AWARE, COLGATE U.S. HAS BEEN NEGOTIATING FOR SOME TIME WITH SNIC REGARDING THE PURCHASE OF SNIC OF COLGATE ALGERIA'S SHARES, AND WE DID NOT BELIEVE COLGATE WOULD BE NATIONALIZED UNTIL THESE NEGOTIATIONS COMPLETED.

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THE EMBASSY RECENTLY HAS HEARD FROM PAUL GOMORY, VICE-PRESIDENT OF KEARNS INTERNATIONAL, WHICH HAS BEEN ASSISTING COLGATE IN ITS NEGOTIATIONS WITH THE ALGERIANS, TO THE EFFECT THAT AN AGREEMENT IS AT HAND. WE WONDER WHETHER THE NATIONALIZATION IS A TECHNICALITY IN THE IMPLEMENTATION OF THAT AGREEMENT, OR WHETHER THE NATIONALIZATION IN FACT NULLIFIES WHAT COLGATE THOUGHT WAS AN AGREEMENT. WE WOULD APPRECIATE IT IF EITHER THE DEPARTMENT OR USDOC WOULD CONTACT

COMORY AND ASK WHETHER HE HAS ADDITIONAL INFORMATION.

4. THE SECOND U.S.-OWNED FIRM IS SIMMONS, WHOSE ASSETS HAVE BEEN TRANSFERRED TO THE STATE CORK AND WOOD PRODUCTS CORPORATION (WHICH ALSO MANUFACTURES HOME FURNITURE). WE HAVE DISCUSSED THIS WITH THE LOCAL (FRENCH) MANAGER OF SIMMONS. HIS PRIMARY CONCERN SEEMS TO BE OVER HIS OWN JOB, BUT SECONDARILY HE SAYS REPRESENTATIVES OF THE FRENCH PARENT WILL BE DOWN SHORTLY TO NEGOTIATE DETAILS.

5. EMBASSY COMMENT:

A. WE HAVE HEARD THAT, AS THEY HAVE DONE IN OTHER CIRCUMSTANCES, THE ALGERIANS MIGHT BE USING ALGERIA'S COMPLICATED TAX LAWS AS MEANS OF AVOIDING PAYING ADEQUATE COMPENSATION. FOR INSTANCE, WE HAVE HEARD OF ONE CASE IN WHICH COMPANY WAS ASSESSED 100 PERCENT PENALTY FOR FAILURE TO FILE GOING-OUT-OF-BUSINESS TAX DECLARATION WITHIN PRESCRIBED TIME.

B. THERE ALSO SOME SPECULATION THAT PRIVATE ALGERIAN FIRMS MAY SOON FALL TO THE AXE OF NATIONALIZATION, BUT WE DOUBT THAT THIS IS IMMINENT SINCE THE ALGERIAN STATE SECTOR WILL REQUIRE SOME TIME TO ABSORB THE FOREIGN FIRMS NOW BEING NATIONALIZED.

C. EMBASSY WOULD APPRECIATE DEPARTMENT'S COMMENTS REGARDING LEGAL IMPLICATIONS OF NATIONALIZATIONS OF U.S.-OWNED THIRD COUNTRY ASSETS (SEE PARA 8 REFTTEL).

HAYNES

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